

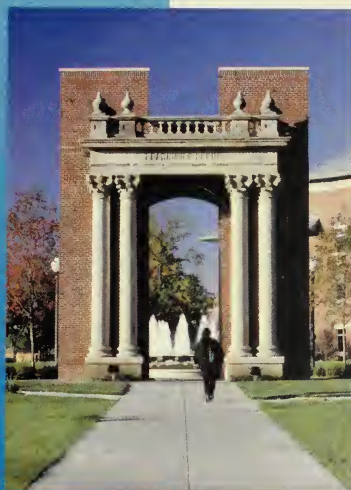
C.  
IL6  
UDCO  
1998/99  
C.

# University of Illinois



## Annual Financial Report

Fiscal Year 1999



# Board of Trustees



Member Ex-Officio  
Honorable George Ryan, Governor



Jeffrey Gindorf, M.D., Chair  
Kenneth D. Schmidt, M.D.  
Gerald W. Shea  
1999-2005



Susan L. Gravenhorst  
Thomas R. Lamont  
Roger L. Plummer  
1997-2003



William D. Engelbrecht  
Martha R. O'Malley  
Judith R. Reese  
1995-2001



Student Trustees  
Arun Reddy, UIC, Advisory Vote  
Melissa Neely, UIS, Advisory Vote  
David J. Cocagne, UIUC, Official Vote  
July 1, 1999 - June 30, 2000

By establishing university policies, the trustees strongly influence all that occurs on our campuses and, thereby, the university's contributions to society. It is a daunting task, and our trustees work hard to succeed at it.

James J. Stukel  
President

# Administrative Officers



Dr. James J. Stukel  
President

**Craig S. Bazzani**  
Vice President for Business and Finance

**Michael B. Provenzano**  
Senior Associate Vice President  
for Business and Finance

**Sally A. Pelg**  
Director of Financial Affairs

**Richard O. Traver**  
Executive Director of University Audits

**Sylvia Manning**  
Interim Chancellor, University of Illinois  
at Chicago

**Thomas L. Gardner**  
Interim Assistant Vice President  
for Business and Finance  
at Chicago

**Naomi B. Lynn**  
Chancellor, University of Illinois  
at Springfield

**Carl E. Long**  
Assistant Vice President  
for Business and Finance  
at Springfield

**Michael Aiken**  
Chancellor, University of Illinois  
at Urbana-Champaign

**Katharine J. Kral**  
Assistant Vice President  
for Business and Finance  
at Urbana-Champaign

# Table of Contents

One University	2
Message from President James J. Stukel	3
University Impact	4
Message from Vice President for Business and Finance, Comptroller Craig S. Bazzani	8
University in Financial Review	
Financial Position	10
Financial Performance	11
Developing Private Financial Support	12
Staff and Student Data	13
Audited Financial Statements	
Independent Auditor's Report	17
Combined Balance Sheet	18
Combined Statement of Changes in Fund Balances (Deficit)	20
Combined Statement of Current Funds Revenues, Expenditures, and Other Changes	24
Notes to Combined Financial Statements	28
Supplemental University Related Organization Information	
Combining Balance Sheet	37
Combining Statement of Changes in Fund Balances	38
Combining Statement of Current Funds Revenues, Expenditures, and Other Changes	39
Supplemental Information	
Year 2000 Compliance Status (unaudited)	40

# One University—Three Campuses serving the people of Illinois



Chicago

University of Illinois at Chicago (UIC), situated on some 300 acres in the heart of the Midwest's famous metropolitan city, is gaining recognition as one of the nation's leading urban universities. UIC has an award-winning faculty recognized by the MacArthur Foundation and the National Science Foundation, a Medical Center that serves 400,000 patients a year, and a College of Medicine that graduates one in every six Illinois physicians.

<http://www.uic.edu>



Springfield

A few miles south of the capital city on 667 acres near Lake Springfield, the University of Illinois at Springfield (UIS) offers a personalized, high-quality education in an individualized atmosphere. The campus provides a private school education—with an emphasis on practical experience and professional development—at a public school price. Comprehensive studies are offered to second-semester sophomores through graduate levels.

<http://www.uis.edu>



Urbana-Champaign

Top-ranked, award-winning Big Ten University of Illinois at Urbana-Champaign (UIUC) has long been recognized among the nation's most distinguished teaching and research institutions. Located in communities that offer big city specialties and small town amenities, UIUC has graduated 10 Nobel Laureates and 16 Pulitzer Prize winners, is a world leader in computing design and applications, and serves researchers, students and scholars with the third largest academic library in the country.

<http://www.uiuc.edu>



# President's Message



On behalf of the Board of Trustees, faculty, student body, and staff, I am proud to present the University of Illinois' Financial Report for Fiscal Year 1999, marking 131 years of service to the people of Illinois, the nation and the world. The first section of the report highlights some of the University's contributions to the economic well-being of the state. The second focuses on the University's financial position and its financial performance for the fiscal year ended June 30, 1999.

The beneficial partnership between the University and the people of Illinois dates back to 1867, when the Illinois State Legislature organized the Illinois Industrial University. The University opened its doors for instruction a year later, and expanded its educational opportunities to include women in 1870. The IIU became the University of Illinois in 1885. The University first granted baccalaureate degrees in 1878, master's degrees in 1879, and doctoral degrees in 1903. Today, University programs are physically housed on the three main campuses in Chicago, Springfield, and Urbana-Champaign. In addition, the University offers programs in the health sciences at regional sites in Peoria and Rockford. University courses and certificate and degree programs also are available online through the University of Illinois Online, which is a partner in the Illinois Virtual Campus. Instructional, agricultural, health care and other University services also are made available through outreach programs throughout the state.

Since the beginning, the University has striven to fulfill its three-prong mission by engaging in the highest quality instruction, research and public service possible. The energy and accomplishments of our faculty of leading international scholars have earned the University recognition as one of the premier institutions of higher education in the world.

As a public, land-grant university, the University of Illinois has a strong sense of accountability to the people of Illinois. The University fulfills this responsibility in many ways. First and foremost, the University delivers the highest quality educational programs at an affordable cost. A University of Illinois education is an incomparable value considering the cost of attending peer institutions, the personal fulfillment and achievement of a University of Illinois education, and the future economic benefit to the students.

In addition, the quality, size and geographic dispersion of University programs have an enormous beneficial impact on the state's economy. University public service programs benefit private economic development and promote personal and professional growth. Our faculty draw millions of private and federal research dollars into Illinois. Nearly a half-million alumni serve as business, academic, government and community leaders throughout the state, across the nation and around the world. The value of this extensive, informal network of alumni leaders as an asset for the state and for the people of Illinois, will increase in the emerging 21st century global economy.

The following pages provide a snapshot of the enormous positive impact the University has on the State of Illinois. It is a story of achievement and value. I am sure you will agree that it's a story worth telling.

A handwritten signature in blue ink that reads "James J. Stukel". The signature is fluid and cursive, with a large, stylized "S" at the end.

James J. Stukel  
September 17, 1999

# University Impact

For more than 130 years, the University of Illinois has graduated thousands of scientists and teachers, agriculturalists and artists, doctors and lawyers, writers and accountants, engineers and social workers. The University has expanded the world's knowledge through discovery, scholarship and invention. It has shared valuable expertise and resources to fulfill its commitment to public service.

And though its work has earned international renown, the University of Illinois is most proud of the impact it has at home in the state of Illinois. Below is a sample of the myriad ways in which the University benefits the state.

## By being a top educator.

As the state's most productive educator, the University of Illinois instructs 66,000 students a year on its three campuses, offers 23,000 course sections and awards more than 15,000 degrees annually, including nearly 6,000 advanced degrees.



## Through lifetime earnings.

The greatest impact of any university is how its primary product-high quality education-adds to the productivity of those who receive it. A University of Illinois education more than doubles the earnings of the average high school graduate. Graduates from the University of Illinois earn about 25 percent more on average than the national norm for college graduates.



## Through tax revenues.

On average, a University of Illinois graduate will pay the state nearly \$98,000 more in sales and income taxes over a lifetime than the typical high school graduate.



## Through long-term wealth.

The individual return on a University of Illinois education is remarkable-as much as three times as high as the yield of 30-year Treasury Bills and 60 percent higher than the historic average return on stocks listed on the New York Stock Exchange.

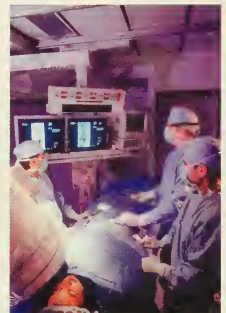


### **By grooming business leaders.**

More University of Illinois students go on to lead major corporations than from any other university, public or private, in the state, according to Standard & Poor's recent survey of corporate officers.

#### **Nationally: Who Educates U.S. Corporate Leaders**

1. Harvard University
2. University of California
3. University of Pennsylvania
4. University of Wisconsin
5. University of Michigan
6. City University of New York
7. **University of Illinois**
8. University of Texas
9. Northwestern University
10. Yale University
11. Stanford University
12. Cornell University



### **By being first in physician and surgeon training.**

The University of Illinois College of Medicine trains the most doctors in the state. More than half of its graduates practice in Illinois. Ninety-nine of 102 Illinois counties have a doctor trained at the U of I.

### **By leveraging the state's investment.**

The University of Illinois generates and brings into the state's economy more than \$2 for each \$1 of state support. For fiscal year 2000, the state will provide \$714 million and the University will generate more than \$1.6 billion toward a \$2.3 billion annual operating budget, from such sources as federal grants and contracts, private gifts and grants, and revenue from University services.



# University Impact

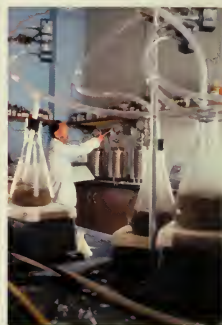
## **By providing jobs in the state.**

The University of Illinois employs more than 32,000 people. The University is the largest employer in Urbana-Champaign, the 17th largest employer in Chicago, and the 11th largest employer in Springfield. In addition, the University has a significant positive impact on employment in other industries through such activities as campus development and construction, research collaborations, publications printing and more.



## **Through research dollars.**

The University of Illinois receives more federal research dollars than all other Illinois universities and colleges—public and private—combined. Since 1986, the University has performed more than \$3 billion in federal research and \$1 billion in private grants and contracts.



## **Through research centers and laboratories.**

The University of Illinois has more than 100 research centers, institutes and laboratories that keep Illinois competitive in everything from education and agriculture to advanced electronics, molecular biology and space rocketry. Its National Center for Supercomputing Applications (NCSA) has been chosen by the National Science Foundation to lead the effort to develop a technology grid for the 21st century.



## **Through technology transfer.**

Research at the University of Illinois often reaches beyond the institution to touch the lives of individuals, neighborhoods, businesses and civic organizations. For example, the Institute for Competitive Manufacturing matches engineering students and faculty with participating companies to solve manufacturing problems. Since its inception in 1988, the Institute has sponsored 622 faculty-supervised industrial projects involving 1,965 engineering students. More than 250 Illinois companies have benefited from the Institute's work.





### **By being a leader in health care.**

The University of Illinois Hospital and Clinics provide top-quality care to Illinois residents. The Medical Center is the only state system with a full complement of health science colleges: Medicine, Nursing, Dentistry, Pharmacy, Health and Human Development Sciences and Public Health.

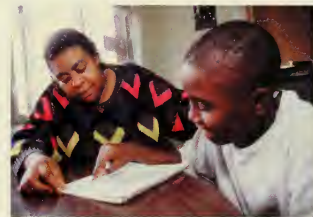
The following health care services were provided in FY 99:

- 16,871 admissions
- 107,570 patient days
- 45,091 emergency room visits
- 367,529 clinic visits
- 2,390 babies delivered



### **By being a community resource.**

The University sponsors more than 650 programs that interact with citizens. Faculty and staff organize and run hundreds of projects, classes, workshops and special events in such areas as agriculture, education, law, health and economic development.



In Chicago, the Great Cities program is dedicated to promoting growth and prosperity in Chicago and other cities by sharing knowledge and attacking urban problems. In Springfield, Capital Outreach is the umbrella name for more than 150 public service and educational activities designed to help local residents and improve the community. In Urbana-Champaign, Partnership Illinois provides more than 400 programs and services to schools, businesses, government agencies and individuals.



Finally, U of I Extension has served more than a million people throughout the state with programs in farm and small business management, dairy, crops, soil conservation and much more.



# Message from the Vice President for Business and Finance, Comptroller



I am pleased to transmit the Annual Financial Report of the University of Illinois for the fiscal year ended June 30, 1999. The financial statements demonstrate positive financial performance during the fiscal year and a favorable financial position at fiscal year end. Increases in current operating fund activity, the current operating fund balance (\$19.9 million), the endowment fund balance (\$14.5 million), and the plant fund (\$81.5 million) highlight the positive financial trend. The favorable financial position along with the ongoing strategic initiatives will enable the University's continuing development. The following are a sampling of the current strategic initiatives.

As one of the nation's premier research universities, the University encourages the development and commercialization of its intellectual assets to foster economic growth and create jobs in the state and in the local community. The Urbana-Champaign campus plans to secure the assistance of a master developer to create and market one or more business incubators to promote the development of emerging businesses and a research park. The initiative will provide assistance to companies in an effort to transfer the University's technology to the market place. This will increase the interactions with those companies that have academic and research relationships with the University to encourage such companies to locate in the area to improve the regional economic base.

The Urbana-Champaign campus was founded on a commitment to support teaching, research, and public service in agriculture. The campus' success in fulfilling this commitment is based on providing state-of-the-art facilities to the highest quality faculty to conduct its academic progress. Current facilities are inadequate for the continuing operation of modern research and teaching. The campus is undertaking a major renewal project that includes the acquisition of new land to relocate and replace the current obsolete facilities.

The Chicago campus is actively pursuing a public-private partnership between the University, the City of Chicago, and a private developer to build a University community in an area adjacent to the campus. The South Campus development leverages public and private funding in a program that includes the acquisition of land, infrastructure improvements, the creation of new residential neighborhoods, and the development of new student residences and ancillary retail and parking facilities.

The Springfield campus presently serves "upper division" undergraduates, juniors and seniors, as well as graduate students in master's degree programs and a small number of doctoral students. The campus has created an exciting new academic program, targeted to a relatively small number of "lower division" students, that is, freshmen and sophomores, who might be interested in career opportunities in public affairs. This new initiative, termed the Capital Scholars Program, will give students who desire careers in government service or other aspects of public affairs an opportunity to focus on that interest throughout their four-year undergraduate programs in the context of a liberal arts and sciences environment. Designed to emphasize interdisciplinary and collaborative learning, this new option provides Illinois high school graduates an alternative that is increasingly available in other states - a small public liberal arts college experience.

The Capital Scholars Program will begin with an entering class of 75 students, and is expected to grow to an entering class of 150 students over a five-year period. Approval of the Capital Scholars Program is expected from the Illinois Board of Higher Education in October 1999, with the first class to be enrolled in the fall of 2001.

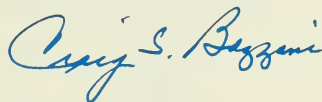
Campaign Illinois is a \$1 billion fund raising campaign. Having achieved the \$1 billion goal, the University is extending the campaign to strengthen the University's active endowment. The campaign's success demonstrates public confidence in the University and provides funding to enhance academic programs.

The University has embarked on a comprehensive rehabilitation and reconfiguration of energy production and distribution systems serving the Chicago and Urbana-Champaign campuses. Anticipating the era of deregulated electrical competition, recognizing the need for updating and expanding the capacities of three major power plants at the Chicago and Urbana campuses, and seeking to capture the efficiencies that co-generation affords, the University has begun a multi-year effort to improve its energy production and delivery systems. Designed in three major phases, the University will invest approximately \$180 million to rehabilitate and expand electrical delivery systems and power plants on the east and west sides of the Chicago campus, and at the Abbott Power Plant at the Urbana-Champaign campus. Enhancements for the east side of the Chicago campus should be completed by Spring 2000; those for the west side of the Chicago campus should be completed by Spring 2001; and those for the Urbana-Champaign campus by Spring 2003. The entire program has been funded through debt instruments issued by the University, with debt payment derived from savings secured within the University's utilities budget.

The University is actively pursuing a Year 2000 compliance plan. The plan follows a standard management process of assessing the Y2K impact on mission-critical services and functions, prioritizing the Y2K remediation requirements and allocating resources systematically to the remediation process. The University has an active monitoring and reporting process to establish the necessary discipline to assure a smooth transition to the new millennium.

The University is pursuing a systems strategy that encourages productive use of contemporary technology and available information resources to improve administrative functions. Motivated by the desire to follow best business practices, we have put projects into motion that will increase data availability, shorten workflow times, and widen end-user access to transaction processing and reporting tools. All of these activities will improve the University's ability to meet its responsibilities by making our administrators better informed and better able to make timely and cost effective decisions.

We are confident that with our sound financial base and the pursuit of these and other strategic initiatives that the University will build upon its tradition of excellence in teaching, research, and public service.

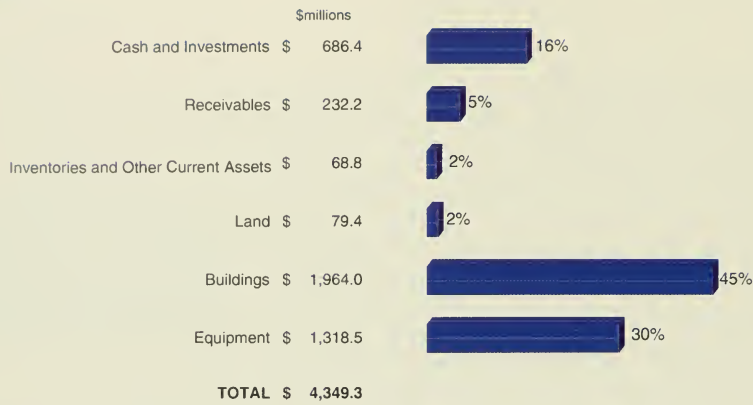


Craig S. Bazzani  
September 17, 1999

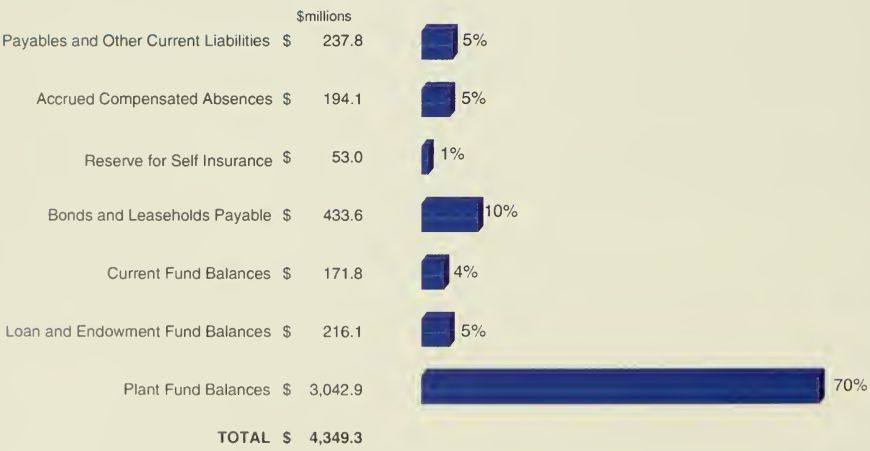
# Financial Position

## Fiscal Year Ended June 30, 1999

### Assets



### Liabilities and Fund Balances

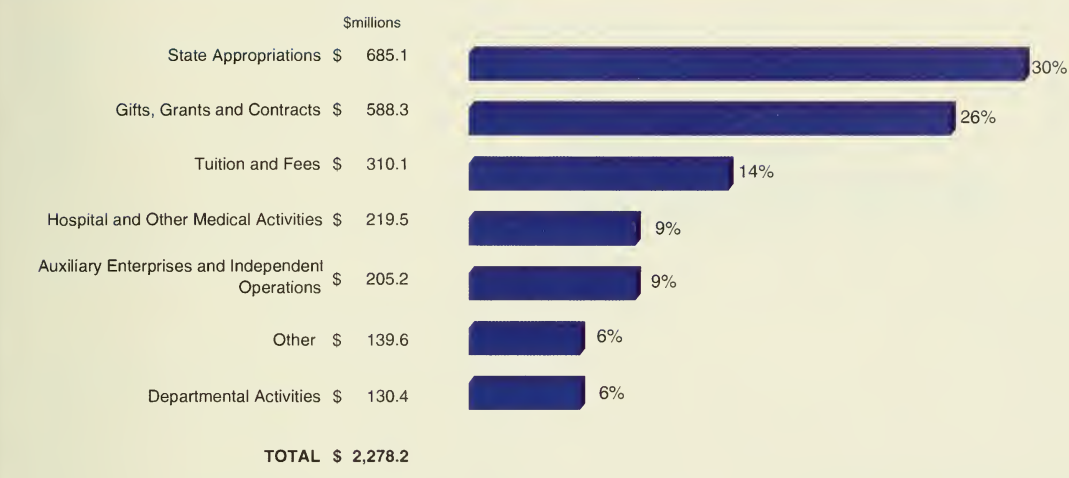




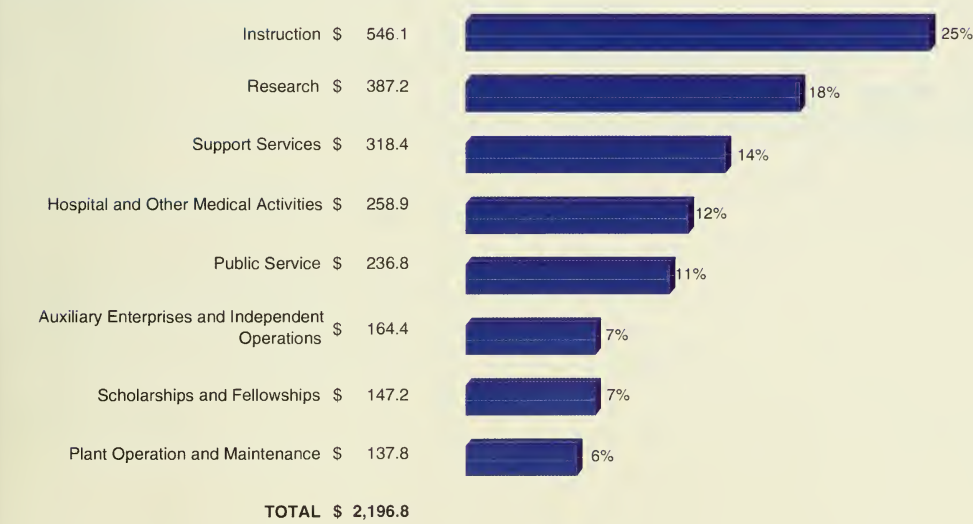
# Financial Performance

## Fiscal Year Ended June 30, 1999

### Sources of Current Funds



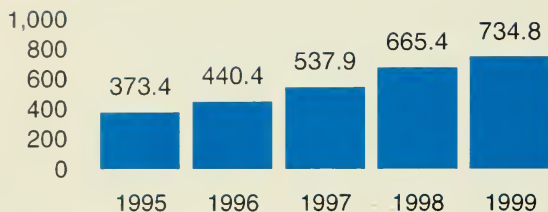
### Uses of Current Funds



# Developing Private Financial Support

## Endowments and Gifts for Current Programs

### Endowment Assets in Millions



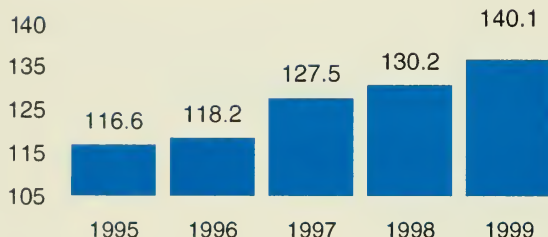
■ Combined University and Foundation Endowment Assets, Stated at Market Value

### Vital Asset: Endowment

The endowment provided over \$30 million for spending in FY99. Over the past five years the endowment has grown from \$373 million to more than \$734 million.

The five year total return for the endowment was approximately 16%.

### Private Giving in Millions



■ Combined University and Foundation Gifts

### Vital Asset: Private Support

*Campaign Illinois* is a testament of spectacular generosity to the University by alumni, friends, foundations, associations and corporations. Since 1991 an unparalleled confidence in our stewardship and academic and research distinction has buoyed gifts, grants, and other giving arrangements to the University. This year we surpassed our \$1 billion goal-and it's still climbing.

The campaign fund-raising efforts are now focused on establishing a \$1 billion endowment.

# Staff and Student Data

## as of October 1998

### Staff Full-Time Equivalent

	Chicago	Springfield	Urbana-Champaign	University Administration	Total University
Faculty	2,239	188	2,719	19	5,165
Academic Professional	2,239	119	2,385	449	5,192
Support Staff	5,580	265	4,799	789	11,433
Graduate Assistant	2,075	104	2,348	14	4,541
<b>Total</b>	<b>12,133</b>	<b>676</b>	<b>12,251</b>	<b>1,271</b>	<b>26,331</b>

### Degrees Conferred FY 1998

	Chicago	Springfield	Urbana-Champaign	Total University
Aviation Certificates	0	0	24	24
Bachelor	2,964	618	6,088	9,670
Master	1,517	305	2,430 <sup>1</sup>	4,252
Doctorate	222	0	706	928
Professional	558	0	291	849
<b>Total</b>	<b>5,261</b>	<b>923</b>	<b>9,539</b>	<b>15,723</b>

### Student Full-Time Equivalent Enrollment<sup>2</sup>

	Chicago	Springfield	Urbana-Champaign	Total University
Undergraduate	14,711	1,417	27,457	43,585
Graduate and Professional	9,729 <sup>3</sup>	957	10,139	20,825
<b>Total</b>	<b>24,440</b>	<b>2,374</b>	<b>37,596</b>	<b>64,410</b>

<sup>1</sup>Includes Master's Degrees and Certificates of Advanced Study.

<sup>2</sup>Based on the Illinois Board of Higher Education definition of full-time equivalency.

Undergraduate student full-time equivalent is computed as the total number of fall term semester credit hours divided by 15. Graduate and Professional student full-term semester hours divided by 12. Credit hours are imputed for students enrolled for coursework with zero credit.

<sup>3</sup>Includes regional Nursing enrollments and residents completing internships in Medicine, Dentistry, and Pharmacy.





Audited  
Financial Statements



## Independent Auditor's Report

---



The Honorable William G. Holland  
Auditor General  
State of Illinois  
and  
The Board of Trustees  
University of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying combined balance sheet of the University of Illinois (University) as of June 30, 1999, and the related combined statements of changes in fund balances (deficit) and current funds revenues, expenditures, and other changes for the year then ended. These combined financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 1999, and its changes in fund balances (deficit) and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued a report dated September 17, 1999, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental combining financial statements for University Related Organizations are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

The Year 2000 supplementary information on page 40 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the University is or will become Year 2000 compliant, that the University's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the University does business are or will become Year 2000 compliant.

A stylized, handwritten-style signature of "Olive LLP" in black ink.

Springfield, Illinois  
September 17, 1999

## Combined Balance Sheet

	Current Funds		Loan Funds	Endowment and Similar Funds		Plant Funds
	Unrestricted	Restricted				
<b>Assets</b>						
Cash and cash equivalents	\$	\$ 36,332	\$ 1,781	\$ 4,125	\$	61,561
Investments	242,568	120,277	5,012	136,557		69,149
Accrued investment income	2,722	1,915	79			1,202
Accounts receivable (net)	79,318	84,338				233
Receivable from State of Illinois						
General Revenue Fund	4,931					
Notes receivable (net)			56,565			
Accrued interest on notes receivable			859			
Inventories and deferred charges	33,131	729				
Prepaid expense	20,030					1,347
Due from related organizations	1,226					
Due from other funds	11,522					
Investment in plant -						
Land						69,048
Buildings						1,660,527
Improvements other than buildings						169,777
Equipment						1,318,514
Construction in progress						133,666
Real estate and farm properties		12		10,370		
Other assets	137		46	649		
<b>Total Assets</b>	<b>\$ 395,585</b>	<b>\$ 243,603</b>	<b>\$ 64,342</b>	<b>\$ 151,701</b>	<b>\$</b>	<b>3,485,024</b>
<b>Liabilities</b>						
Claim on cash overdraft	\$ 2,214	\$	\$	\$	\$	
Accounts payable	48,498	15,707				15,155
Accrued payroll	85,677	18,138				
Accrued compensated absences	186,112	7,971				
Deferred revenue and student deposits	27,690					
Accrued interest payable	1,130					2,412
Accrued self-insurance	53,061					
Bonds payable						358,475
Leaseholds payable and other obligations	20,645					54,524
Notes payable						
Due to related organizations	507	62				
Due to other funds						11,522
Assets held for others						
<b>Total Liabilities</b>	<b>425,534</b>	<b>41,878</b>				<b>442,088</b>
<b>Fund Balances (Deficit)</b>						
Current funds-unrestricted	152,684					
Amount expected to be financed in future years	(182,633)					
Current funds-restricted		201,725				
Loan funds -						
Federal grants refundable			45,304			
University restricted			14,015			
State matching			5,023			
Endowment-restricted				43,186		
Quasi-endowment				107,738		
Term endowment						
Living trusts-restricted				128		
United States Land Grant-restricted				649		
Annuity						
Life income						
Plant funds-restricted -						
Unexpended						6,254
Maintenance and replacement						60,935
Reserve for indebtedness						24,511
Net investment in plant						2,951,236
<b>Total Fund Balances</b>	<b>(29,949)</b>	<b>201,725</b>	<b>64,342</b>	<b>151,701</b>	<b>\$</b>	<b>3,042,936</b>
<b>Total Liabilities &amp; Fund Balances (Deficit)</b>	<b>\$ 395,585</b>	<b>\$ 243,603</b>	<b>\$ 64,342</b>	<b>\$ 151,701</b>	<b>\$</b>	<b>3,485,024</b>

This summary is not to be used for financial statements.



## As of June 30, 1999 with Comparative Totals for 1998 (in thousands)

Agency Funds	University Totals Memorandum Only		University Related Organizations	Combined Totals Memorandum Only	
	1999	1998		1999	1998
\$ 7,797	\$ 111,596	\$ 106,917	\$ 8,482	\$ 120,078	\$ 113,883
1,268	574,831	549,518	642,130	1,216,961	1,131,806
	5,918	7,672	1,189	7,107	8,858
	163,889	167,676	5,621	169,510	169,306
	4,931	24,131		4,931	24,131
	56,565	54,984	1,712	58,277	56,452
	859	780		859	780
	33,860	33,691	20	33,880	33,721
	21,377	20,627	94	21,471	20,707
	1,226	1,245	528	1,754	1,412
	11,522	11,658		11,522	11,658
	69,048	67,779	2,106	71,154	69,925
	1,660,527	1,630,673	600	1,661,127	1,631,002
	169,777	160,253		169,777	160,253
	1,318,514	1,284,125	1,774	1,320,288	1,286,462
	133,666	89,969		133,666	89,969
	10,382	10,372	26,118	36,500	33,263
	832	695	11,731	12,563	10,697
\$ 9,065	\$ 4,349,320	\$ 4,222,765	\$ 702,105	\$ 5,051,425	\$ 4,854,285
\$	\$ 2,214	\$	\$	\$ 2,214	\$
	79,360	65,637	43,907	123,267	103,001
	103,815	98,576	99	103,914	98,747
	194,083	195,405	696	194,779	196,185
	27,690	26,700	2,362	30,052	29,966
	3,542	3,668		3,542	3,668
	53,061	54,070		53,061	54,070
	358,475	364,226		358,475	364,226
	75,169	79,952		75,169	79,952
			2,136	2,136	2,278
	569	838	1,203	1,772	2,378
	11,522	11,658		11,522	11,658
9,065	9,065	9,585	12	9,077	9,585
9,065	918,565	910,315	50,415	968,980	955,714
	152,684	140,252	16,028	168,712	155,068
	(182,633)	(180,312)		(182,633)	(180,312)
	201,725	191,908	44,558	246,283	236,176
	45,304	43,403		45,304	43,403
	14,015	13,609		14,015	13,609
	5,023	4,961		5,023	4,961
	43,186	41,988	391,360	434,546	385,496
	107,738	94,409	129,939	237,677	213,192
			1,679	1,679	1,769
	128	128		128	128
	649	649		649	649
			24,391	24,391	22,218
			40,776	40,776	37,661
	6,254	7,528		6,254	7,528
	60,935	65,400		60,935	65,400
	24,511	32,184		24,511	32,184
	2,951,236	2,856,343	2,959	2,954,195	2,859,441
	3,430,755	3,312,450	651,690	4,082,445	3,898,571
\$ 9,065	\$ 4,349,320	\$ 4,222,765	\$ 702,105	\$ 5,051,425	\$ 4,854,285

## Combined Statement of Changes in Fund Balances (Deficit)

	Current Funds			Endowment and	
	Unrestricted	Restricted	Loan Funds	Similar Funds	Plant Funds
<b>Revenues and Other Additions</b>					
Unrestricted current funds revenues	\$ 1,862,118	\$	\$	\$	\$
Federal appropriations		17,870			
Medical service plan		92,360			
Restricted gifts, grants and contracts -					
Private		90,631		128	5,344
Federal		364,757	1,027		1,686
State of Illinois		76,928			100
Investment income-restricted		17,361	420		7,709
Net increase (decrease) in fair value of investments-restricted		(2,650)	(110)	11,646	(1,649)
State appropriations-restricted					1,211
Interest and service charges on student loans			1,525		
Internal financing repayments					7,194
Additions to plant facilities -					
From current funds expenditures					123,351
From plant funds expenditures					75,948
From other State of Illinois agencies, principally Capital Development Board					14,152
Acquired through capital leases					668
Bond proceeds					
Retirement of indebtedness -					
Bond principal payments					17,945
Increase in equity in capitalized leased assets -					
Adjustment in equity in capitalized leased assets					240
Lease principal payments					7,242
Other		3,111	171		2,673
<b>Total Revenues and Other Additions</b>	<b>1,862,118</b>	<b>660,368</b>	<b>3,033</b>	<b>11,774</b>	<b>263,814</b>
<b>Expenditures and Other Deductions</b>					
Educational and general expenditures	1,360,512	612,635			
Auxiliary enterprises expenditures	159,058	5			
Hospital and other medical activities expenditures	258,868				
Independent operations expenditures	5,368				
Indirect costs recovered		86,650			
Educational and administrative allowances recovered		2,366			
Refunds to grantors		2,925			
Cancellation of loans under terms of gifts and grants			13		
Increase (decrease) in allowance for uncollectible notes			246		
Increase in leaseholds payable			189		
Expended for plant facilities -					668
Capitalized expenditures -					
Land					1,168
Buildings					61,575
Improvements other than buildings					3,258
Equipment					9,947
Noncapitalized expenditures					23,997
Retirement of indebtedness					34,851
Interest on indebtedness					15,248
Bonds issued					
Capital appreciation on bonds payable					12,091
Trade-ins, disposals and property adjustments					95,911
Payments to beneficiaries of life income trusts				15	
Amortization of prepaid expense					109
Other			1	10	
<b>Total Expenditures and Other Deductions</b>	<b>\$ 1,783,806</b>	<b>\$ 704,581</b>	<b>\$ 449</b>	<b>\$ 25</b>	<b>\$ 258,823</b>

## Year Ended June 30, 1999 with Comparative Totals for 1998 (in thousands)

University Totals Memorandum Only		University Related Organizations	Combined Totals Memorandum Only	
1999	1998		1999	1998
\$ 1,862,118	\$ 1,790,477	\$ 26,397	\$ 1,888,515	\$ 1,819,485
17,870	16,051		17,870	16,051
92,360	83,939		92,360	83,939
96,103	98,623	83,151	179,254	181,987
367,470	336,274		367,470	336,274
77,028	58,893		77,028	58,893
25,490	26,205	9,470	34,960	35,792
7,237	16,364	41,543	48,780	74,664
1,211	2,470		1,211	2,470
1,525	1,359		1,525	1,359
7,194	5,946		7,194	5,946
123,351	109,868		123,351	109,868
75,948	74,814		75,948	74,814
14,152	21,151		14,152	21,151
668	46,479		668	46,479
	4,155			4,155
17,945	20,945		17,945	20,945
240	117		240	117
7,242	6,949		7,242	6,949
5,955	3,739	1,691	7,646	5,618
2,801,107	2,724,818	162,252	2,963,359	2,906,956
1,973,147	1,859,687	28,319	2,001,466	1,889,034
159,063	151,174		159,063	151,174
258,868	260,272		258,868	260,272
5,368	6,632		5,368	6,632
86,650	77,251		86,650	77,251
2,366	1,825		2,366	1,825
2,938	1,147		2,938	1,147
246	266		246	266
189	(105)		189	(105)
668	47,550		668	47,550
1,168	1,142		1,168	1,142
61,575	64,187		61,575	64,187
3,258	4,203		3,258	4,203
9,947	5,282		9,947	5,282
23,997	13,508		23,997	13,508
34,851	36,190		34,851	36,190
15,248	15,536	133	15,381	15,658
	4,155			4,155
12,091	12,094		12,091	12,094
95,911	29,600		95,911	29,600
15	19		15	19
109	138		109	138
11	1,444	3,349	3,360	5,373
\$ 2,747,684	\$ 2,593,197	\$ 31,801	\$ 2,779,485	\$ 2,626,595

## Combined Statement of Changes in Fund Balances (Deficit)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
Transfers-Additions (Deductions)					
Mandatory -					
Renewal and replacement	\$ (5,374)	\$	\$	\$	\$ 5,374
Retirement of indebtedness	(34,076)	(3,088)			37,164
Student loan matching	(218)		218		
Non-mandatory -					
Renewal and replacement	(12,001)	143			11,858
University related organizations	(4,041)	63,679	322		4,922
Other-net	(12,491)	(6,704)	(755)	2,778	17,172
Net Transfers	(68,201)	54,030	(215)	2,778	76,490
Increase in Fund Balance	10,111	9,817	2,369	14,527	81,481
Fund Balances (Deficit) at Beginning of Year	(40,060)	191,908	61,973	137,174	2,961,455
Fund Balances (Deficit) at End of Year	\$ (29,949)	\$ 201,725	\$ 64,342	\$ 151,701	\$ 3,042,936

See accompanying notes to combined financial statements.



## Year Ended June 30, 1999 with Comparative Totals for 1998 (in thousands) (Continued)

University Totals Memorandum Only		University Related Organizations	Combined Totals Memorandum Only	
1999	1998		1999	1998
\$	\$	\$	\$	\$
64,882	65,841	(64,882)		
64,882	65,841	(64,882)		
118,305	197,462	65,569	183,874	280,361
3,312,450	3,114,988	586,121	3,898,571	3,618,210
\$ 3,430,755	\$ 3,312,450	\$ 651,690	\$ 4,082,445	\$ 3,898,571

## Combined Statement of Current Funds Revenues, Expenditures, and Other Changes

	Unrestricted			
	State Appropriated and Student Tuition	Other	Total	Restricted
<b>Revenues</b>				
Educational and general -				
Student tuition and fees	\$ 310,066	\$	\$ 310,066	\$
State appropriations	636,891		636,891	
Federal appropriations				17,914
Federal grants and contracts		75,496	75,496	292,053
State of Illinois grants and contracts		3,296	3,296	71,548
Private gifts, grants and contracts		9,793	9,793	136,149
Endowment and other investment income	32		32	5,252
Net increase (decrease) in fair value of investments	(1,680)	3,391	1,711	
Educational activities		130,416	130,416	
Other sources	8,946	12,983	21,929	92,812
Payments on behalf of the University	199,625		199,625	
<b>Total Educational and General Revenue</b>	<b>1,153,880</b>	<b>235,375</b>	<b>1,389,255</b>	<b>615,728</b>
Auxiliary enterprises		199,076	199,076	
Hospital and other medical activities	47,610	219,480	267,090	
Independent operations	568	6,129	6,697	
<b>Total Revenues</b>	<b>1,202,058</b>	<b>660,060</b>	<b>1,862,118</b>	<b>615,728</b>
<b>Expenditures and Mandatory Transfers</b>				
Educational and general -				
Instruction	399,215	14,771	413,986	132,084
Research	52,839	40,900	93,739	293,443
Public service	41,433	76,018	117,451	119,406
Academic support	101,076	28,886	129,962	18,818
Student services	31,014	24,729	55,743	2,464
Institutional support	94,528	14,212	108,740	2,741
Operation and maintenance of plant	133,003	4,452	137,455	318
Scholarships and fellowships	102,569	1,242	103,811	43,361
Payments on behalf of the University	199,625		199,625	
<b>Total Educational and General Expenditures</b>	<b>1,155,302</b>	<b>205,210</b>	<b>1,360,512</b>	<b>612,635</b>
Mandatory transfers for -				
Retirement of indebtedness	635	13,785	14,420	3,088
Student loan matching grant	209	9	218	
<b>Total Educational and General</b>	<b>1,156,146</b>	<b>219,004</b>	<b>1,375,150</b>	<b>615,723</b>
<b>Auxiliary Enterprises</b>				
Expenditures		159,058	159,058	5
Mandatory transfers for -				
Renewal and replacement		5,374	5,374	
Retirement of indebtedness		18,172	18,172	
<b>Total Auxiliary Enterprises</b>		<b>182,604</b>	<b>182,604</b>	<b>5</b>
<b>Hospital and Other Medical Activities</b>				
Expenditures	47,610	211,258	258,868	
Mandatory transfers for retirement of indebtedness		1,016	1,016	
<b>Total Hospital and Other Medical Activities</b>	<b>47,610</b>	<b>212,274</b>	<b>259,884</b>	
<b>Independent Operations</b>				
Expenditures	568	4,800	5,368	
Mandatory transfers for retirement of indebtedness		468	468	
<b>Total Independent Operations</b>	<b>568</b>	<b>5,268</b>	<b>5,836</b>	
<b>Total Expenditures and Mandatory Transfers</b>	<b>\$ 1,204,324</b>	<b>\$ 619,150</b>	<b>\$ 1,823,474</b>	<b>\$ 615,728</b>

## Year Ended June 30, 1999 with Comparative Totals for 1998 (in thousands)

University Totals Memorandum Only		University Related Organizations	Combined Totals Memorandum Only	
1999	1998		1999	1998
\$ 310,066	\$ 295,016		\$ 310,066	\$ 295,016
636,891	611,356		636,891	611,356
17,914	16,054		17,914	16,054
367,549	333,738		367,549	333,738
74,844	58,356		74,844	58,356
145,942	139,505	51,529	197,471	196,040
5,284	4,650	10,971	16,255	15,493
1,711	2,243	(25)	1,686	4,463
130,416	122,555		130,416	122,555
114,741	113,612	25,756	140,497	140,801
199,625	184,968		199,625	184,968
2,004,983	1,882,053	88,231	2,093,214	1,978,840
199,076	187,328		199,076	187,328
267,090	272,884		267,090	272,884
6,697	6,789		6,697	6,789
2,477,846	2,349,054	88,231	2,566,077	2,445,841
546,070	526,591		546,070	526,591
387,182	344,959		387,182	344,959
236,857	221,065		236,857	221,065
148,780	138,284		148,780	138,284
58,207	54,983		58,207	54,983
111,481	115,285	28,256	139,737	144,579
137,773	134,574		137,773	134,574
147,172	138,978	63	147,235	139,031
199,625	184,968		199,625	184,968
1,973,147	1,859,687	28,319	2,001,466	1,889,034
17,508	15,305	7	17,515	15,316
218	257		218	257
1,990,873	1,875,249	28,326	2,019,199	1,904,607
159,063	151,174		159,063	151,174
5,374	4,845		5,374	4,845
18,172	20,144		18,172	20,144
182,609	176,163		182,609	176,163
258,868	260,272		258,868	260,272
1,016	1,882		1,016	1,882
259,884	262,154		259,884	262,154
5,368	6,632		5,368	6,632
468	447		468	447
5,836	7,079		5,836	7,079
\$ 2,439,202	\$ 2,320,645	\$ 28,326	\$ 2,467,528	\$ 2,350,003

## Combined Statement of Current Funds Revenues, Expenditures, and Other Changes

	Unrestricted			Restricted
	State Appropriated and Student Tuition	Other	Total	
<b>Other Transfers and Additions (Deductions)</b>				
Excess (deficiency) of restricted receipts compared to restricted expenditures	\$	\$	\$	\$ (44,376)
Refunds to grantors				(2,925)
Inter-fund transfers -				
Current funds	(3,030)	8,201	5,171	(5,171)
Loan funds		979	979	(224)
Endowment and similar funds		(2,500)	(2,500)	(278)
Annuity and life income				
Plant funds -				
Unexpended		(16,141)	(16,141)	(1,031)
Renewal and replacement		(12,001)	(12,001)	143
University related organizations		(4,041)	(4,041)	63,679
<b>Net Other Transfers and Additions (Deductions)</b>	(3,030)	(25,503)	(28,533)	9,817
<b>Total Increase (Decrease) in Fund Balances</b>	<b>\$ (5,296)</b>	<b>\$ 15,407</b>	<b>\$ 10,111</b>	<b>\$ 9,817</b>

See accompanying notes to combined financial statements.

**Year Ended June 30, 1999 with Comparative Totals for 1998 (in thousands) (Continued)**

University Totals Memorandum Only		University Related Organizations	Combined Totals Memorandum Only	
1999	1998		1999	1998
\$ (44,376) (2,925)	\$ (31,533) (1,055)		\$ (44,376) (2,925)	\$ (31,533) (1,055)
755 (2,778)	685 (6,851)	6,743	755 3,965	685 (1,195)
(17,172) (11,858)	(15,641) (6,779)	(264)	(17,436) (11,858)	(15,957) (6,779)
59,638	58,835	(64,882)	(5,244)	(7,006)
(18,716)	(2,339)	(58,403)	(77,119)	(62,840)
\$ 19,928	\$ 26,070	\$ 1,502	\$ 21,430	\$ 32,998



## Notes to Combined Financial Statements

### The Financial Reporting Entity and Component Unit Disclosures

The University of Illinois (University), a federal land grant institution and an agency of the State of Illinois, conducts education, research and public service and related activities principally at its three campuses in Urbana-Champaign, Springfield and Chicago which include the University of Illinois Hospital (Hospital) and other health care facilities. The governing body of the University is The Board of Trustees of the University of Illinois (Board).

As required by generally accepted accounting principles, these financial statements present the financial position and financial activities of the University (the primary unit) and its component units as well as certain activities and expenditures funded by other state agencies on behalf of the University or its employees. The component units discussed below are included in the University's financial reporting entity (Entity) because of the significance of their financial relationship with the University.

The University Related Organizations' column in the combined financial statements includes the financial data of the University's component units. The University of Illinois Foundation (Foundation), the University of Illinois Alumni Association (Alumni Association), and the University of Illinois HMO (UIHMO) are reported in a separate column to emphasize that they are Illinois non-profit organizations legally separate from the University. These entities are University related organizations as defined under *University Guidelines* adopted by the State of Illinois Legislative Audit Commission in 1982, as amended in 1997.

The Foundation was formed for the purpose of providing fund raising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University. Complete financial statements for the Foundation may be obtained by writing the Director of Business and Administration, 414C Harker Hall, 1305 W. Green Street, Urbana, IL 61801.

The Alumni Association was formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students and others in the University's programs. In this capacity, the Alumni Association offers memberships in the Alumni Association to former students, conducts various activities for students and alumni, and publishes periodicals for the benefit of alumni. Complete financial statements for the Alumni Association may be obtained by writing the Director of Administration and Business Affairs, 227 Olden Union, 1401 W. Green Street, Urbana, IL 61801.

The UIHMO was formed as a replacement for the former University of Illinois Health Maintenance Organization Plan Trust to provide health insurance to students at the Chicago campus. In addition, it

enables the University to provide health insurance programs to the medically indigent. The financial statements included for the UIHMO are as of December 31, 1998. Complete financial statements for the UIHMO may be obtained by writing the Vice President for Finance, Suite 205, 2023 West Ogden Avenue, Chicago, IL 60612-3741.

On November 19, 1996, the University formed a for-profit, wholly-owned subsidiary, Prairieland Energy, Inc., for the purpose of providing support for the University through delivery of comprehensive economical utility services to all campuses of the University. Activity for the current fiscal year, which was minimal, has been incorporated in the Entity's financial statements.

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these combined financial statements are, therefore, also included in the state's comprehensive annual financial report.

### Summary of Significant Accounting Policies

#### Basis of Presentation

The combined financial statements are prepared on the accrual basis of accounting applicable to public colleges and universities.

The accounts of the Entity are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives. Separate accounts are maintained for each fund; however, funds with similar characteristics are combined into fund groups in the accompanying combined financial statements.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds. Restricted resources may only be used for the purposes established by the source of such funds.

The Combined Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of the Current Funds. It does not purport to present the overall results of operations as would a statement of revenues and expenses. In the accompanying combined financial statements, the use of Current Funds to acquire or finance assets of the Plant Funds is accounted for as (a) expenditures in the case of the normal replacement of equipment and ordinary repairs and maintenance and (b) mandatory and other transfers when providing for debt service, repair and replacement reserves, and all other cases.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported re-

enues and expenditures during the reporting period. Actual results could differ from those estimates.

### Cash And Cash Equivalents

Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of U.S. Treasury bills, commercial paper, and money market funds. Total cash and cash equivalents of the University included a net cash overdraft book balance of \$19,851,000 at June 30, 1999. The total bank account balances at June 30, 1999, of the University, the Foundation and the Alumni Association and the bank account balance of the UIHMO at December 31, 1998, aggregated \$5,222,000, \$3,929,000, \$2,021,000, and \$2,532,000 respectively, of which \$5,222,000, \$3,562,000, \$2,021,000, and \$2,532,000, respectively, was covered by federal depository insurance or by collateral held by an agent in the Entity's name; and \$367,000 was uninsured and uncollateralized for the Foundation.

### Investments

Investments in real estate and farm properties and those held by Agency Funds, are carried at cost, or when donated, at the fair market value at the date of donation. All other investments are carried at their fair market value, as determined by quoted market price. Investment income and the change in fair value of investments is recognized in the fund which owned such investments, except for income derived from investments of the Endowment and Similar Funds which is recognized in the funds to which the income is restricted.

Illinois Statutes and Board policy authorize the University to invest in obligations of the U. S. Treasury, agencies, and instrumentalities (U.S. Government securities); bank and savings and loan time deposits; corporate bonds, stock and commercial paper; repurchase agreements; and mutual funds. No repurchase agreements were entered into during the year ended June 30, 1999.

Nearly all of the Entity's investments are managed by external professional investment managers. Many of these investments are made through commingled investment vehicles such as common trust funds and mutual funds. A number of the investment managers utilize derivatives in the execution of their investment strategies. In general, managers utilize derivatives to reduce or eliminate undesirable risks, to increase portfolio liquidity and flexibility or to increase investment return within the level of risk defined in the manager's investment guidelines. Examples of authorized derivative transactions would be the hedging of foreign currency exposure through the use of currency forwards, owning mortgage securities with embedded prepay-

ment options or utilizing treasury futures to change the duration of a fixed income portfolio. The Entity did not engage in any significant derivative transactions during the year ended June 30, 1999.

The University increases its investment income by lending the University's securities, through its custodian, to independent third parties. Such loans are secured by collateral consisting of cash, cash equivalents or U.S. Government securities in an amount at least equal to 102% of the fair value of the securities loaned. As of June 30, 1999, approximately \$35,494,000 of the University's investments reported on the combined balance sheet were on loan, secured by collateral with a fair value of approximately \$35,967,000.

Investments, including cash equivalents but excluding real estate and farm properties, have been categorized to give an indication of the level of credit risk assumed by the University, Foundation or Alumni Association at June 30, 1999. Category 1 includes investments that are insured or registered or for which the securities are held by the Entity or an agent in its name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the Entity's name. Mutual funds and money market investments are not required to be categorized. Investments at the UIHMO as of December 31, 1998 were not significant.

The following details the Entity's investments at June 30, 1999:

University				
(in thousands)				
	1999			Carrying Amount
	Category			
	1	2	3	
Certificates of				
Deposit	\$ 4,754	\$	\$	\$ 4,754
U.S. Gov. Securities	58,244	28,216		86,460
Commercial Paper	27,480			27,480
Corporate Bonds	194,570	6,714		201,284
Corporate Stock	47	621		668
Total	<u>\$ 285,095</u>	<u>\$ 35,551</u>	<u>\$</u>	<u>320,646</u>
Mutual Funds				
Bonds				137,439
Stocks				145,151
Money Market				64,898
Real Estate				2,845
Illinois Public Treas.				
Investment Pool				33,085
TOTAL INVESTMENTS				<u>\$ 704,064</u>

**Foundation**  
(in thousands)

	1999			Carrying Amount
	Category			
	1	2	3	
U.S. Gov. Securities	\$ 28,821	\$ 4,139	\$	\$ 32,960
Int'l Gov. Bonds	2,563			2,563
Municipal Bonds		1,482		1,482
Corp. Bonds/Notes	28,468	5,658		34,126
Preferred Stock	629			629
Corporate Stock	142,890	4,824		147,714
Total	<u>\$ 203,371</u>	<u>\$ 16,103</u>	<u>\$</u>	219,474
Real Estate				
Trusts/Partnerships				26,397
Bond Index Fund				13,746
Equity Index Funds				131,981
Intern'l Equity Funds				85,714
Other Mutual Funds				150,799
Other				1,318
TOTAL INVESTMENTS				<u>\$ 629,429</u>

**Alumni Association**  
(in thousands)

	1999			
	Category			Carrying Amount
	1	2	3	
U.S. Gov. Securities	\$ 2,995	\$	\$	\$ 2,995
Corp. Bonds/Notes	186			186
Corporate Stock	9,143			9,143
Total	<u>\$ 12,324</u>	<u>\$</u>	<u>\$</u>	<u>12,324</u>
Real Estate				
Partnerships				<u>377</u>
TOTAL INVESTMENTS				\$ 12,701

## Student Financial Assistance

During the year ended June 30, 1999, the Urbana-Champaign and Chicago campuses participated in the U.S. Department of Education Direct Student Loan Program. The Urbana-Champaign campus awarded approximately \$79.6 million for the year ended June 30, 1999. The Chicago Campus awarded approximately \$67.6 million for the year ended June 30, 1999. The University classified this loan program as Noncash Federal Awards in the Office of Management and Budget (OMB) Circular A-133 Schedule of Expenditure of Federal Awards. Accordingly, no revenue or expenditures are included in the combined financial statements of the Entity.

## Investment in Plant

Investment in plant is carried at cost or, when donated, at the fair market value at the date of donation. In accordance with generally accepted accounting principles for public colleges and universities, the Entity does not record depreciation on these assets.

Additions to the University's investment in plant financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB. Expenditures of the CDB for University-related repair and maintenance projects are recorded as expenditures from and additions to the University's Plant Funds.

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest of \$3,090,000 was capitalized during the year ended June 30, 1999.

## Accrued Self-Insurance and Loss Contingency

The University's accrued self-insurance liability of \$53,061,000 at June 30, 1999 covers hospital patient liability; hospital and medical professional liability; estimated general and contract liability; and workers' compensation liability related to employees paid from local funds. The accrued self-insurance liability was discounted at a rate of 7.0% at June 30, 1999. Amounts increasing the accrued self-insurance liability are charged to Current Funds expenditures based upon estimates made by actuaries and the University's risk management division. The workers' compensation self-insurance liability of \$6,368,000 at June 30, 1999 related to employees who are paid from state appropriations is included in the University's accounts payable. These claims will be paid from state appropriations in the year in which the claims are finalized, rather than from current unrestricted funds at June 30, 1999.

## Allowance for Uncollectibles

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the balance sheet date, considering type, age, collection history of receivables, and any other factors as considered appropriate. Accounts receivable are reported net of allowances of \$156,193,000 at June 30, 1999. Notes receivable are reported net of allowances of \$1,951,000 at June 30, 1999.

## Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method.

Accrued self-insurance includes \$29,311,000 at June 30, 1999 for the most probable and reasonably estimable ultimate cost of uninsured medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and independent actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses, and amounts determined by actuaries using relevant industry data and hospital specific data to cover projected losses for claims incurred but not reported. Because the amounts accrued are estimates, the aggregate claims actually incurred could differ significantly from the accrued self-insurance liability at June 30, 1999. Changes in these estimates will be reflected in the Statement of Current Funds Revenues, Expenditures, and Other Changes in the period when additional information is available.

The University has contracted with several commercial carriers to provide varying levels and upper limits of excess indemnity coverage. These coverages have been considered in determining the required accrued self-insurance liability.

**Changes in Accrued Self-Insurance**  
(in thousands)

	1999	1998
Accrued self-insurance liability at beginning of year	\$ 54,070	\$ 50,822
Current year claims and changes in estimates	17,416	18,805
Claim payments and other costs	(18,425)	(15,557)
Accrued self-insurance liability at end of year	<u>\$ 53,061</u>	<u>\$ 54,070</u>

**Revenue Recognition**

Appropriations made from the State of Illinois General Revenue and Education Assistance Funds for the benefit of the University are recognized as revenues to the extent expended, limited to available appropriations.

Tuition and fees, except for the Summer Session, are recognized as revenues as they are assessed. The portion of Summer Session tuition and fees applicable to the following fiscal year is deferred. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is included in both revenues from student tuition and fees and in expenditures for scholarships and fellowships. These exemptions amounted to \$93,144,000 in 1999.

Current Restricted Funds which are received or receivable from external sources are recognized as revenues to the extent of related expenditures on the accrual basis and as additions or deductions to fund balances to the extent of an excess or deficiency, respectively, of restricted receipts compared to restricted expenditures.

In accordance with GASB 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance", the University reported payments made by the state on behalf of the University for contributions to state group insurance and retirement programs for University employees of \$199,625,000 for the year ended June 30, 1999. These costs are reflected as both revenues and expenditures and are reported in Payments on behalf of the University.

With respect to the Hospital, net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Approximately 84% of the Hospital's net patient service revenues were derived from Medicare, Medicaid, Blue Cross and managed care programs for the year ended June 30, 1999. Payments under these programs are based on established program rates or costs, as defined, of rendering services to program beneficiaries. The Hospital provides contractual allowances on a current basis for the differences between charges for services rendered and the expected payments under these programs.

**Expenditure Recognition**

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was approximately \$34,270,000 at June 30, 1999 and is recorded in the accompanying combined financial statements. This amount will be paid from amounts specifically included in State of Illinois General Revenue Fund appropriations to the University for fiscal year 2000 rather than from the Current Unrestricted Funds available at June 30, 1999.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid by state appropriations and auxiliary enterprises are paid by the state on behalf of the University. The on-behalf payments are \$112,200,000 for 1999, and are reflected



in Payments on behalf of the University. The employer contributions to these plans on behalf of employees paid from other University-held funds are paid by the University.

Accrued compensated absences for University personnel are charged to Current Funds based on earned but unused vacation and sick leave days including the University's share of social security and medicare taxes. At June 30, 1999, the University estimates that \$141,995,000 of the accrued compensated absences liability will be paid out of state of Illinois General Revenue Fund appropriations to the University in years subsequent to June 30, 1999, rather than from Current Funds available at June 30, 1999.

## Total Columns of Statements

Total columns on the statements are captioned "Memorandum Only" to indicate that data are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. The statements are not intended to represent consolidated statements as certain transactions between funds have not been eliminated.

## Funds Held in Trust by Others

The University and Foundation are income beneficiaries of several irrevocable trusts which are held and administered by outside fiscal agents. The University and Foundation have no control over these funds as to either investment decisions or income distributions, thus the principal is not recorded in the accompanying financial statements. The fair value of these funds at June 30, 1999 and the amount of income received from these trusts during the year then ended were as follows:

**Funds Held in Trust by Others**  
(in thousands)

	University	Foundation
Market value of funds held in trust by others	\$ 16,560	\$ 21,821
Income received from funds held in trust by others	\$ 489	\$ 417

## Bonds and Notes Payable

At June 30, 1999, bonds payable consist of University of Illinois Auxiliary Facilities System (Auxiliary System), Revenue Bonds, Series 1979 (formerly Sangamon State Housing Bonds), Series 1985, Series 1986, Series 1991, Series 1993, and Series 1996; University of Illinois Revenue Bonds; Series 1985A related to the Construction Engineering Research Laboratory (CERL); University of Illinois Willard Airport Project Revenue Bonds (Airport), Series 1997; and University of Illinois Health Services Facilities System (Health System) Revenue Bonds, Series 1997A and Series 1997B, as seen in the table.

<b>Bonds Payable</b> (in thousands)			
Series	Yield on Outstanding Debt	Maturity Dates	Outstanding at June 30, 1999
1979	3%	1999-2018	\$ 1,245
1985	5%	1999-2009	3,455
1985A	9.70%	1999-2003	1,690
1986	7.4% - 8.125%	1999-2006	64,814
1991	5.75% - 6.4%	1999-2022	22,630
1991	6.8% - 7.35%	2002-2021	83,088
1993	4.4% - 5.875%	1999-2022	29,490
1993	5.7% - 5.95%	2006-2009	20,641
1996	4.0% - 5.60%	1999-2022	59,100
1997	3.95% - 5%	1999-2009	2,610
1997A	4.8% - 5.875%	2001-2026	47,210
1997B	Variable - 3.5%	2001-2026	25,000
Total Principal Payable			360,973
Unamortized Debt Discount			(2,498)
<b>TOTAL BONDS PAYABLE</b>			<b>\$ 358,475</b>

The \$64,814,000, \$83,088,000, and \$20,641,000 of Series 1986, Series 1991, and Series 1993 Bonds, respectively, outstanding at June 30, 1999, are capital appreciation bonds which do not require current interest payments. The University records the annual increase in the principal amount of these bonds as capital appreciation on bonds payable.

Series 1997B Bonds are variable rate bonds which bear interest at a defined weekly rate and interest is paid monthly. The required debt service for the Series 1997B Bonds has been estimated using a 3.5% interest rate over the life of the bonds.

Costs associated with the issuance of the Series 1991, Series 1993, Series 1996, Series 1997, Series 1997A, and Series 1997B Bonds have been recorded as a prepaid expense and are being amortized over the life of the related bond issue.

The Foundation has the following notes outstanding: demand note, interest at 5.39% with principal of \$2,118,500 and installment note due in January 2000, interest at 9.0% with principal of \$17,500.

## Advance Refunded Bonds

The University has defeased bonds through advance refunding in prior years and, accordingly, they are not reflected in the accompanying combined financial statements. The amount of bonds which have been defeased as of June 30, 1999 are seen in the table.

Advance Refunded Bonds (in thousands)		Outstanding at June 30, 1999
Series		
1959-C	\$	170
1962-A		300
1962-B		520
1964-A		320
1964		945
1965-A		2,150
1978-M		43,865
1978-N		24,640
UIF Bonds Series II		2
1986		18,668
1992		3,555
<b>TOTAL ADVANCE REFUNDED BONDS</b>	<b>\$</b>	<b>95,135</b>

None of the bonds described above constitute obligations of the State of Illinois. Series 1979, 1985, 1986, 1991, 1993, and 1996 Bonds are payable solely by the Board from net revenues of the Auxiliary System, student tuition and fees and certain restricted plant funds. Series 1985A Bonds are payable solely from the net revenues of CERL and, under certain circumstances, the net revenues of the Auxiliary System, student tuition and fees, and certain restricted plant funds. Series 1997 Bonds are payable solely from the net revenues of the Airport, funds received from the County of Champaign, Illinois, and related restricted plant funds. Series 1997A and 1997B Bonds are payable solely from net revenues of the Health System, Medical Service Plan revenue net of bad debt expense, and College of Medicine net tuition revenue.

## Leases and Other Obligations

The University leases various plant facilities and equipment under capital leases. This includes assets obtained with certificate of participation proceeds and recorded as capital leases as well as other capital lease agreements funded through operations. Assets held under capital leases are included in investment in plant as follows:

### Assets Held Under Capital Lease (in thousands)

Land	\$	500
Equipment		6,314
Buildings		45,181
Improvements		22,975
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>74,970</b>

Certificates of Participation		
Series 1990 Area Studies	\$	1,085
Series 1997 Utility Infrastructure		45,975
Other Capital Leases		2,964
<b>NET PRESENT VALUE</b>	<b>\$</b>	<b>50,024</b>

As of June 30, 1999, future minimum lease payments under capital leases are as follows:

2000	\$	6,968
2001		6,626
2002		5,691
2003		5,621
2004		5,577
Later years		34,952

Total minimum lease payments		65,435
Amount representing interest		(15,411)
<b>NET PRESENT VALUE</b>	<b>\$</b>	<b>50,024</b>

## Debt Service Requirements and Security

Future debt service requirements for all bonds outstanding are as follows:

### Debt Service Requirements (in thousands)

	Principal	Interest and Capital Appreciation
2000	\$ 18,544	\$ 10,640
2001	19,028	11,082
2002	17,995	12,077
2003	16,799	12,791
2004	15,755	13,472
2005-2026	272,852	270,785
<b>TOTAL</b>	<b>\$ 360,973</b>	<b>\$ 330,847</b>

The Maximum Annual Net Debt Service, as defined, for all outstanding debt is \$23,337,000.



The University leases various properties from the Foundation under capital lease obligations amounting to \$376,000 at June 30, 1999.

The University also leases various buildings and equipment under operating lease agreements. Total rental expense under these agreements was \$9,682,000 for the year ended June 30, 1999. In future years, the University expects to incur annual rental expense in amounts similar to 1999. The future minimum lease payments (excluding those leases renewed on an annual basis) are as follows:

#### Future Minimum Operating Lease Payments

(in thousands)

2000	\$	7,671
2001		4,446
2002		3,182
2003		1,951
2004		522
Total	\$	<u>17,772</u>

The University entered into a purchase contract during fiscal year 1995 to purchase a firm supply of natural gas over the next ten years. The outstanding liability is classified as other obligations on the combined balance sheet and the future minimum payments under the contract are as follows:

#### Future Minimum Payments under the Natural Gas Contract

(in thousands)

2000	\$	3,633
2001		3,628
2002		3,629
2003		3,631
2004		3,627
Later years		<u>6,617</u>
Total minimum lease payments		24,765
Amount representing interest		<u>(4,120)</u>
NET PRESENT VALUE	\$	<u>20,645</u>

Interest of \$1,165,000 was paid on this purchase contract during the year ended June 30, 1999.

The University engages in interfund borrowing to finance campus projects. These borrowings paid interest of \$960,000 to the consolidated group fund during 1999 at rates ranging from 5.0% to 6.8%. All outstanding interfund borrowings at June 30, 1999 will mature between 2000 and 2009.

## State Universities Retirement System

The Entity contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined-benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full-time; or (c) employed less than full-time and attending classes with an employer. Of those Entity employees ineligible to participate, the majority are students at the University.

SURS provides retirement, disability and death benefits. Members are eligible for normal retirement at any age after 35 years of service, at age 60 after 8 years of service or at age 62 after 5 years of service. There are also provisions for early retirement. Retirement benefits are based on certain formulas that generally are a function of years of service and the average salary based on the highest earnings of any four consecutive years. Disability benefits are paid to disabled members with two years of covered service, generally at 50% of basic compensation until the total benefits paid equal 50% of the total earnings in covered service. Death benefits are payable to survivors of an active member with one and one half years of covered service or of a former member with ten years of covered service. These benefits are payable until children attain the age of 18, to a spouse after age 50 and to a dependent parent after age 55. Benefits are equal to the

---

retirement contributions and interest, a lump sum payment of \$1,000, and a monthly annuity equal to a portion of the accrued normal retirement benefit based on specified formulas.

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 9.01% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The University's contributions to SURS for the years ended June 30, 1999, 1998, and 1997 were \$103,705,000, \$97,496,000 and \$78,854,000, respectively, equal to the required contributions for each year.

Entity employees hired prior to April 1, 1986 are exempt from contributions required under the Federal Insurance Contribution Act. Employees hired after March 31, 1986 are required to contribute 1.45% of their gross salary for Medicare. The Entity is required to match this contribution.

Employees may also elect to participate in certain tax-sheltered retirement plans. These voluntary plans permit employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plans. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to these plans.

## Postemployment Benefits

In addition to providing pension benefits, the state provides certain health, dental and life insurance benefits to annuitants who are former state employees. This includes annuitants of the Entity. Substantially, all state employees, including the employees of the Entity, may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to \$5,000 per annuitant.

Currently, the state does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized on a pay-as-you-go basis. These costs are funded by the state except for certain non-appropriated funds funded by the University.

## Commitments and Contingencies

### Encumbrances

Encumbrances which represent goods or services that have been ordered for which delivery has not been made or the services have not been rendered at June 30, 1999 are not recorded in the accompanying combined financial statements. Encumbrances of the Current Funds were approximately \$17,130,000 at June 30, 1999. At June 30, 1999 the Entity had commitments on various construction projects and contracts for repairs and renovation of facilities of approximately \$19,200,000.

### Grants and Contracts

The University receives monies from federal and state government agencies under grants and contracts for research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University believes that any disallowances or adjustments would not have a material effect on the University's financial position.

The University also receives monies under third-party payor arrangements for payment of medical services rendered at its hospital and clinics. Some of these arrangements allow for settlement adjustments based on costs and other factors. The University believes that any adjustments would not have a material effect on the University's financial position.

### Legal Actions

The University is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the University's accrued self-insurance liability. The total of amounts claimed under these legal actions, including potential settlements and amounts relating to losses incurred but not reported, could exceed the amount of the self-insurance liability. In the opinion of the University's administrative officers, the University's self-insurance liability and limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

---

## Contingencies

In order to participate in the Medicare and Medicaid programs, a hospital is required to meet and maintain certain standards called conditions of participation. The Health Care Financing Administration (HCFA) of the United States Department of Health and Human Services is responsible for ensuring that hospitals meet the conditions of participation and does so by requesting the state licensing agency to conduct a survey to confirm compliance. On January 30, 1997, HCFA issued a letter to the Hospital outlining certain noncompliance with the conditions of participation. The Hospital submitted a plan of correction which was accepted and a follow-up survey was performed. Based on the follow-up survey, the Hospital was determined to be in compliance with the conditions of participation except for certain deficiencies noted in an April 7, 1997, HCFA letter. Until such deficiencies are corrected to the satisfaction of HCFA, the Hospital will continue to be subject to further state agency follow-up surveys. If these deficiencies are not remediated by October 6, 1999, the hospital's

participation in the Medicare Program will be terminated. If termination were to occur, the Hospital would not be eligible to receive payment for inpatient hospital services rendered to patients admitted after the termination date. However, the Hospital's management anticipates the deficiencies revealed in the follow-up survey will be corrected within the time frame required by HCFA and, therefore, such deficiencies will not have an adverse effect on the Hospital's operations or financial condition.

## Subsequent Events

On August 15, 1999 the University entered into the Certificates of Participation (Utility Infrastructure Projects), Series 1999 installment purchase contract with The First National Bank of Chicago as trustee. Certificates were issued for \$78,470,000 to finance the construction and acquisition of utility infrastructure improvements at the University's Chicago and Urbana-Champaign campuses.

## Combining Balance Sheet for University Related Organizations as of June 30, 1999 (in thousands)

Supplemental Schedule I

	University Related Organizations			University Related Organizations Combined Totals	
	Foundation	Alumni Association	UIHMO	1999	1998
<b>Assets</b>					
Cash and cash equivalents	\$ 3,929	\$ 2,021	\$ 2,532	\$ 8,482	\$ 6,966
Investments	629,429	12,701		642,130	582,288
Accrued investment income	1,153	36		1,189	1,186
Accounts receivable (net)	5,285	99	237	5,621	1,630
Notes receivable (net)	1,712			1,712	1,468
Inventories and deferred charges		20		20	30
Prepaid expense	28	31	35	94	80
Due from related organizations	507		21	528	167
Investment in plant -					
Land	2,106			2,106	2,146
Buildings	600			600	329
Equipment	1,429	261	84	1,774	2,337
Real estate and farm properties	26,118			26,118	22,891
Other assets	11,420	5	306	11,731	10,002
<b>Total Assets</b>	<b>\$ 683,716</b>	<b>\$ 15,174</b>	<b>\$ 3,215</b>	<b>\$ 702,105</b>	<b>\$ 631,520</b>
<b>Liabilities</b>					
Accounts payable	\$ 43,510	\$ 111	\$ 286	\$ 43,907	\$ 37,364
Accrued payroll		99		99	171
Accrued compensated absences	696			696	780
Deferred revenue and student deposits	268	1,793	301	2,362	3,266
Notes payable	2,136			2,136	2,278
Due to related organizations	6	24	1,173	1,203	1,540
Assets held for others	12			12	
<b>Total Liabilities</b>	<b>46,628</b>	<b>2,027</b>	<b>1,760</b>	<b>50,415</b>	<b>45,399</b>
<b>Fund Balances</b>					
Current funds-unrestricted	2,275	12,298	1,455	16,028	14,816
Current funds-restricted	43,970	588		44,558	44,268
Endowment-restricted	391,360			391,360	343,508
Quasi-endowment	129,939			129,939	118,783
Term endowment	1,679			1,679	1,769
Annuity	24,391			24,391	22,218
Life income	40,776			40,776	37,661
Plant funds	2,698	261		2,959	3,098
<b>Total Fund Balances</b>	<b>637,088</b>	<b>13,147</b>	<b>1,455</b>	<b>651,690</b>	<b>586,121</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 683,716</b>	<b>\$ 15,174</b>	<b>\$ 3,215</b>	<b>\$ 702,105</b>	<b>\$ 631,520</b>

# Combining Statement of Changes in Fund Balances for University Related Organizations for the Year Ended June 30, 1999 (in thousands)

Supplemental Schedule II

	University Related Organizations			University Related Organizations Combined Totals	
	Foundation	Alumni Association	UIHMO	1999	1998
<b>Revenues and Other Additions</b>					
Unrestricted current funds revenues	\$ 6,904	\$ 3,239	\$ 16,254	\$ 26,397	\$ 29,008
Restricted gifts, grants and contracts -					
Private	83,151			83,151	83,364
Investment income-restricted	9,470			9,470	9,587
Net increase in fair value of investments	41,465	78		41,543	58,300
Other	1,500	191		1,691	1,879
<b>Total Revenues and Other Additions</b>	<b>142,490</b>	<b>3,508</b>	<b>16,254</b>	<b>162,252</b>	<b>182,138</b>
<b>Expenditures and Other Deductions</b>					
Educational and general expenditures	7,632	4,499	16,188	28,319	29,347
Interest on indebtedness	133			133	122
Other	3,306	43		3,349	3,929
<b>Total Expenditures and Other Deductions</b>	<b>11,071</b>	<b>4,542</b>	<b>16,188</b>	<b>31,801</b>	<b>33,398</b>
<b>Transfers-Additions (Deductions)</b>					
University related organizations	(66,376)	1,494		(64,882)	(65,841)
<b>Net Transfers</b>	<b>(66,376)</b>	<b>1,494</b>		<b>(64,882)</b>	<b>(65,841)</b>
<b>Increase in Fund Balance</b>	<b>65,043</b>	<b>460</b>	<b>66</b>	<b>65,569</b>	<b>82,899</b>
<b>Fund Balances at Beginning of Year</b>	<b>572,045</b>	<b>12,687</b>	<b>1,389</b>	<b>586,121</b>	<b>503,222</b>
<b>Fund Balances at End of Year</b>	<b>\$ 637,088</b>	<b>\$ 13,147</b>	<b>\$ 1,455</b>	<b>\$ 651,690</b>	<b>\$ 586,121</b>

# Combining Statement of Current Funds Revenues, Expenditures, and Other Changes for University Related Organizations for the Year Ended June 30, 1999 (in thousands)

## Supplemental Schedule III

	University Related Organizations Alumni			University Related Organizations Combined Totals	
	Foundation	Association	UIHMO	1999	1998
<b>Revenues</b>					
Educational and general -					
Private gifts, grants and contracts	\$ 51,529	\$	\$	51,529	56,535
Endowment and other investment income	10,354	399	218	10,971	10,843
Net (decrease) increase in fair value of investments	(422)	397		(25)	2,220
Other sources	7,008	2,712	16,036	25,756	27,189
<b>Total Educational and General Revenue</b>	<b>68,469</b>	<b>3,508</b>	<b>16,254</b>	<b>88,231</b>	<b>96,787</b>
<b>Total Revenues</b>	<b>68,469</b>	<b>3,508</b>	<b>16,254</b>	<b>88,231</b>	<b>96,787</b>
<b>Expenditures and Mandatory Transfers</b>					
Educational and general -					
Institutional support	7,632	4,436	16,188	28,256	29,294
Scholarships and fellowships		63		63	53
<b>Total Educational and General Expenditures</b>	<b>7,632</b>	<b>4,499</b>	<b>16,188</b>	<b>28,319</b>	<b>29,347</b>
Mandatory transfers for -					
Retirement of indebtedness	7			7	11
<b>Total Educational and General</b>	<b>7,639</b>	<b>4,499</b>	<b>16,188</b>	<b>28,326</b>	<b>29,358</b>
<b>Total Expenditures and Mandatory Transfers</b>	<b>7,639</b>	<b>4,499</b>	<b>16,188</b>	<b>28,326</b>	<b>29,358</b>
<b>Other Transfers and Additions (Deductions)</b>					
Inter-fund transfers -					
Endowment and similar funds	6,743			6,743	5,656
Plant funds	(261)	(3)		(264)	(316)
University related organizations	(66,376)	1,494		(64,882)	(65,841)
<b>Net Other Transfers and Additions (Deductions)</b>	<b>(59,894)</b>	<b>1,491</b>		<b>(58,403)</b>	<b>(60,501)</b>
<b>Total Increase in Fund Balances</b>	<b>\$ 936</b>	<b>\$ 500</b>	<b>\$ 66</b>	<b>\$ 1,502</b>	<b>\$ 6,928</b>



## Year 2000 Compliance Status (unaudited)

Year 2000 issues have the potential to affect all forms of computer technology. For the University, the impact can be far-reaching through all levels of the University, on the Chicago, Springfield, and Urbana-Champaign campuses, at the University hospital, and within the various colleges and their departmental units. A University-wide structure reviews and consolidates Year 2000 work across the University's three campuses and administrative units. This structure is consistent with the University's general organization in which campuses, colleges, departments, and other units have significant authority over the management of their operations. The University of Illinois' Year 2000 process is decentralized, with each campus taking the lead in remediating its own systems and monitoring its progress and University level teams monitoring progress for enterprise-wide systems as well as for the University in general.

Governmental Accounting Standards Board Technical Bulletin No. 98-1, "Disclosures about Year 2000 Issues" defines the following stages as necessary to implement a Year 2000 compliant system:

**Awareness** - Encompasses establishing a budget and project plan (for example, a timeline or chart noting major tasks and due dates) for dealing with the year 2000 issue.

**Assessment** - When the organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment (systems and equipment critical to conducting operations) to check for compliance.

**Remediation** - When the organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to make the systems or processes year 2000-compliant, and the required system changes are made.

**Validation** - When the organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

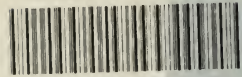
The University organizes its Year 2000 efforts in five phases, as outlined in its Year 2000 Plan. A description of these phases (Awareness, Assessment, Remediation, Validation, and Implementation) is available at <http://y2k.uillinois.edu>.

The University's enterprise-wide systems are administered centrally. For those systems, the awareness and assessment phases are complete. The remediation and validation phases are nearly complete. The units at the three campuses, including the hospital, colleges, and departments have substantially completed the awareness and assessment phases. Campus units are proceeding through the remediation and validation phases and are at various stages of completion. University wide, existing business continuity plans are being reviewed and updated as needed to reflect Year 2000 specific scenarios. Where plans are not already in place, administrative and campus units have been directed to identify mission critical functions and establish a contingency plan.

Because of the unprecedented nature of the Year 2000 issues, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the University is or will be entirely Year 2000 ready or that the parties with whom the University does business will be Year 2000 ready.



UNIVERSITY OF ILLINOIS-URBANA



3 0112 042446150

Printed by the authority of the State of Illinois

October 1999

Copies Printed . . . . . 2,000

Total Cost . . . . . \$7,292

Cost per Copy . . . . . \$3.65

Printed by Prestige Printing Services